



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 753** HLS 09RS 1408
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 29, 2009	11:44 AM	Author: RICHMOND
Dept./Agy.: Revenue		
Subject: New Markets Tax Credit Program		Analyst: Greg Albrecht

TAX CREDITS

EG NO IMPACT GF RV See Note

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Increases the credit cap for a single business under the New Markets Tax Credit Program

Current law provides state income and franchise tax credits for investments in Community Development Entities (CDEs) organized to participate in the federal New Markets Tax Credit Program. Tax credits are 25% of the investment in a CDE that are used to make subsequent investments in qualified businesses in the state. Credits are transferable and can be taken against existing state tax liabilities over three years (40%, 40%, 20%). Investments eligible to generate tax credits are capped at \$5 million per investment, unless invested in certain Dept. of Economic Development target industries, which are limited to \$15 million. The current aggregate amount of tax credit available is \$50 million (\$12.5 million available in 2009). Proposed law changes the tax credit generating per project investments amount to \$7.5 million for investments issued on or after October 1, 2009 (from \$5 million in current law). Moves forward by three months the availability for issuance of the last \$12.5 million increment of credits offered in current law. Credits issued after October 1, 2009 can't be claimed on returns due before 2011. No additional amounts of tax credit are provided by the bill.

EXPENDITURES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The Department of Revenue has devoted a full-time position to administer this program. It seems unlikely that the changes made by this bill would require additional resources.

REVENUE EXPLANATION

According to the Department of Revenue, the program's available tax credits have consistently been fully allocated shortly after each increment of credits is offered. While this bill changes certain parameters of the program, it does not add additional tax credits to the program's current amounts, and is not expected to materially change the amount of credit realizations against tax liabilities from what is likely to occur in the absence of the bill.

Senate

☐ 13.5.1 >= \$500,000 Annual Fiscal Cost

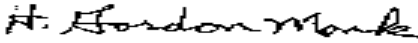
☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change

Dual Referral Rules

House

☐ 6.8(F) >= \$500,000 Annual Fiscal Cost

☐ 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease



H. Gordon Monk
Legislative Fiscal Officer